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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF THE APPLICATION OF
SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC. FOR APPROVAL OF A
NEW NET METERING TARIFF SCHEDULE
NM-2 AND REVISIONS TO THE EXISTING
NET METERING TARIFF SCHEDULE NM.

DOCKET NO. E-01575A-15-0127

**STAFF'S REQUEST FOR
PROCEDURAL ORDER**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby requests that the Administrative Law Judge ("ALJ") schedule a procedural conference in the above-captioned matter at her earliest convenience.

On April 14, 2015, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Cooperative") filed an application in the above referenced docket seeking (i) approval of a new Net Metering Tariff Schedule NM-2 that will apply to all future net metered members and that will credit to a member's account any excess energy produced from an eligible net metering facility on a monthly basis at SSVEC's authorized avoided cost rate; (ii) revisions to the Cooperative's existing Net Metering Tariff Schedule NM (to be revised and renamed Net Metering Tariff Schedule NM-1) which provide that members who have an installed eligible net metering facility or an accepted Sun Watts Incentive/Interconnection application on file with SSVEC by close of business on April 14, 2015, will be grandfathered under the existing net metering tariff for a period of twenty years from the date of installation of the eligible net metering facility; and (iii) approval of a partial waiver of the Commission's net metering rules set forth in A.A.C. R14-2-2301 *et seq.*, as necessary to authorize the new tariff and the tariff revisions requested. The Cooperative further requests expedited consideration of its application without a hearing.

1 SSVEC indicates that it has experienced a significant increase in the number of customers
2 installing rooftop solar Photovoltaic ("PV") systems, and that the proliferation of PV systems in the
3 Cooperative's service area has resulted in a dramatic and alarming increase in the unrecovered fixed
4 costs attributable to net metered members. SSVEC also asserts that a net metered member avoids
5 paying the full cost of the transmission and distribution infrastructure that is used to serve that
6 member. Additionally, the Cooperative indicates that a net metered customer receives the full retail
7 rate for excess energy generated by the member, even though the retail rate far exceeds the
8 Cooperative's cost of purchasing power. Lastly, the Cooperative alleges that the rapid increase in
9 rooftop PV systems has shifted (and continues to shift) the recovery of those fixed costs to members
10 who have not installed PV systems. Ultimately, SSVEC claims that this inequitable circumstance is a
11 serious problem that is growing larger day-by-day and that any delay will only exacerbate the
12 growing problem and make implementation of a complete remedy that much more difficult.

13 **I. These Issues Should Be Addressed In A Rate Case.**

14 SSVEC recognizes that a complete remedy to its alleged under-recovery of fixed costs as well
15 as the alleged cost shift may ultimately require rate design changes, which are typically done in a rate
16 case. In order to be able to more fully address these overriding issues, Staff recommends that SSVEC
17 withdraw its application so that the Commission may consider these matters in a rate case. Although
18 SSVEC recently received a rate increase pursuant to A.A.C. R14-2-107 (Streamlined rate case
19 process for Electric and Natural Gas Cooperatives), that process does not allow for substantial
20 revisions to rate design, which may be necessary to address these issues more holistically.
21 Addressing these issues in a rate case pursuant to A.A.C. R14-2-103 will increase the solutions
22 available to the Commission, which may facilitate a result that better serves the public interest.

23 If SSVEC is not inclined to voluntarily withdraw its application, then Staff recommends that
24 the Commission establish a briefing schedule so that the parties may file briefs addressing whether
25 the application should be dismissed, or whether it should be treated as a request for interim rate relief.
26 Staff proposes the following schedule.

27 Initial Briefs: June 17, 2015

Responsive Briefs: July 1, 2015

It may also be helpful to schedule an oral argument on these issues after the conclusion of the briefing schedule. Once this process has concluded, Staff suggests that the Administrative Law Judge prepare a recommended opinion and order ("ROO") for the Commission's consideration.

II. SSVEC's Application Would Benefit from the Development of a Full Record.

As indicated above, SSVEC requests expedited consideration of the matter without a hearing. Further, SSVEC asserts that in the event the Commission determines that a hearing is necessary, a hearing should be scheduled on an expedited basis given the urgency and extent of the net metering cost shift problem. SSVEC also indicates that the Commission must begin to address the problem immediately by approving its application and that any delay will only exacerbate the growing problem and make implementation of a complete remedy much more difficult. The Cooperative indicates expedited consideration is appropriate to (i) mitigate the uncertainty over net metering in SSVEC's service areas; and (ii) minimize the time before the new net metering tariff applies to new net metered members, which will reduce potential confusion regarding changes in billing.

Staff is cognizant of the fact that SSVEC is a member-owned Cooperative, and does not discount the benefits of regulatory certainty and avoiding customer confusion. However, in this case, Staff believes that the Cooperative's interests in avoiding a hearing are outweighed by the Commission's interest in developing a record to assist it in its evaluation of these important issues. The mere fact that the Cooperative's application may cause uncertainty and confusion is not a basis to forego a hearing or to expedite processing. The desire for certainty could be said to underlie virtually every application filed at the Commission.

Although SSVEC's application is not explicit, it has overtones of requesting interim rate relief from the Commission. It would be helpful for the parties to specifically address whether SSVEC's application should be treated as an application for interim rates. Staff notes that applications for interim rates are often processed in an expedited fashion.

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1 **III. Conclusion.**

2 A procedural conference may be helpful at this time in order to establish the procedural
3 course for this matter going forward. Therefore, Staff respectfully requests that a procedural
4 conference be scheduled as soon as practical to discuss this matter and that the *ex parte* rule be put
5 into effect.

6 RESPECTFULLY SUBMITTED this 22nd day of April, 2015.

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13 Original and thirteen (13) copies of the
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